

Message Text

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ACTION EUR-25

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SUBJECT: 131ST MEETING COORDINATING COMMITTEE OF
GOVERNMENT BUDGET EXPERTS

REF: STATE 104049

1. BEGIN SUMMARY. AT 131ST MEETING, ALL COUNTRIES,
EXCEPT US AND ITALY, ABLE ACCEPT PRINCIPLE COMPENSATORY
ADJUSTMENT OF PENSIONS TO CORRECT INEQUITY CREATED BY
CALCULATING TAXABLE PENSION USING TAX EXEMPT SALARY AS
BASE. END SUMMARY. ACTION REQUESTED: REQUEST
INSTRUCTIONS PARA 5.

2. SECRETARIES-GENERAL PREFER REIMBURSEMENT OF TAXES
ACTUALLY PAID BUT COULD ACCEPT APPROPRIATE ADJUSTMENT
OF PENSIONS. STRONG CASE WAS MADE FOR ADJUSTMENT OF
PENSIONS. B AND C GRADES SALARIES ARE ESTABLISHED BY
REFERENCE TO PREVAILING LOCAL RATES AND ADJUSTED DOWN-
WARD SO THAT TAX EXEMPT NET SALARY IS EQUAL TO TAXABLE
NET OF LOCAL RATES. ADJUSTMENTS RANGE FROM ZERO FOR
LOWEST C GRADE TO ABOUT 11 PERCENT FOR HIGHEST B GRADE.
ALTHOUGH SALARY LEVELS FOR A GRADES RELATIVELY CLOSE
BETWEEN EEC AND CO-ORDINATED ORGANIZATIONS, EFFECT OF
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INTERNAL TAX IS THAT TAX FREE COMMUNITY PENSIONS

BETWEEN FROM 9 TO 40 PERCENT HIGHER THAN PROPOSED
CO-ORDINATED ORGANIZATIONS NET TAXABLE PENSIONS.

3. US AND ITALY PLACED GENERAL RESERVE ON CONCEPT OF
COMPENSATORY ADJUSTMENT OF PENSIONS WHILE ITALIAN REP
ONLY ONE ABLE ACCEPT TAX EXEMPTION FOR PENSIONS. ALL
OTHER DELEGATIONS PREPARED ACCEPT COMPENSATORY ADJUST-
MENT BUT NOT TO FULL AMOUNT OF TAXES PAID ON PENSION
PAYMENTS. OF THESE DELEGATIONS, ONLY NETHERLANDS AND
LUXEMBOURG SUGGESTED FUNDING THIS INCREASE BY REGULAR
BUDGET CONTRIBUTIONS WHILE REMAINDER WILLING ACCEPT
FUNDING BY SPECIAL CONTRIBUTION EQUAL TO AMOUNT OF
COMPENSATORY PAYMENTS MADE TO PENSIONERS RESIDENT IN
THEIR COUNTRY.

4. SINCE PENSIONS BE SUBJECT TO NATIONAL TAXES, MISSION
BELIEVES THERE GROUNDS FOR EITHER ADJUSTING LEVEL OF
PENSIONS OR THE BASE USED IN CALCULATING PENSIONS.
ESTABLISHMENT OF DIFFERENT BASE FOR CALCULATION OF
PENSIONS MEANS THAT ADDITIONAL COSTS BE FUNDED BY
REGULAR BUDGET CONTRIBUTION AND US SHARE BE 25 PERCENT.
IF PENSIONS ADJUSTED AS PROPOSED BY CCG AND SPECIAL
CONTRIBUTION BASED ON NUMBER OF PENSIONERS RESIDENT IN
MEMBER COUNTRY, THE US SHARE WOULD BE CONSIDERABLY
SMALLER.

5. MISSION RECOMMENDS ACCEPTANCE OF PENSION ADJUSTMENT
PROPOSED BY CCG IN ORDER PROVIDE EMPLOYEES OF
CO-ORDINATED ORGANIZATIONS EQUITABLE PENSION THAT
APPROACHES LEVEL OF PENSIONS PROVIDED IN EEC AND THAT
WOULD REMOVE MAJOR REMAINING OBSTACLE TO SETTling
PENSION CONTROVERSY. REQUEST DETAILED INSTRUCTIONS
BY JUNE 5.
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